

Local Government Insurance Trust**RISK MANAGEMENT BULLETIN**

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Mobile Equipment Rentals

A local government rents a 1994, \$100,000 cherrypicker for one day to install decorations downtown Main Street, MD, USA, and leaky hydraulic fluid ignites and destroys it; or you are driving a 1991, \$200,000 Road Widener, 50 miles on a trailer that is needed for one week and it rolls off at a turn due to faulty tie-down; or a two week rental of a 1999, \$80,000 street sweeper garaged overnight in your care is destroyed by an on premises fire resulting from lightning.

In all cases, your rental agreement stated the lessee to pay any and all damages regardless of fault during the term of contract up to its replacement cost (cost new). How will your insurance respond? Will the rental company's insurance cover it? Did you accept all their terms and conditions favorable for them, but not for you? Yes, rental agreements are standardized and typically not subject to negotiations. However, you may have more negotiating power than you realize. Being a local government who rents mobile equipment regularly, a rental company may be agreeable to more favorable terms to keep you as a valued customer. You may want to negotiate up front an established rental agreement for any and all rentals, **especially short-term, high-valued equipment**.

A few Risk Management negotiating suggestions may include being responsible for only one or combination of terms as follows:

- legal liability only (you're negligent)
- after a certain deductible
- to a maximum limit
- for only certain perils (fire only, Basic Named Perils, or "All-Risk" Special Perils)
- exclude earth movement and flood
- actual cash value only
- exclude transit
- exclude maintenance (oil, transmission and hydraulic fluids)

Sponsoring Organizations

Other internal Risk Management Guidelines for rental agreements may include:

1-14 Day Rental:

Rental company's insurance purchased

15-90 Day Rental:

Terms limited to ACV, legal liability, Basic perils, exclude earth movement and flood

90 and Over Day Rental:

Terms with full coverage per Rental Agreement, exclude earth movement and flood

As a LGIT member, your money is to protect and finance "your" losses. Why should others get your money, especially where damages not your fault, to buy new equipment for old and where they don't contribute or pay a premium? Private vendors have their own insurance. Note, rental equipment must be reported for coverage.